

FISCAL NOTE
SB 3138 - HB 3158

February 16, 2004

SUMMARY OF BILL:

- Prevents health care insurers from denying payment of a claim if the physician obtained prior authorization and the documentation supports the claim originally presented.
- Prevents denial if the health insurer informed the physician that prior authorization was not needed.
- Prevents a secondary health insurer from denying a claim if the physician obtained prior authorization from the primary payer.
- Imposes a civil penalty of \$1,000 per occurrence for a violation of the section and \$10,000 per occurrence for the sixth and subsequent violations.
- Provides an effective date of July 1, 2005.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$463,300 FY06 Recurring
\$2,400 FY06 One-Time

Increase State Revenues - Less than \$100,000 FY06 Recurring

Other Fiscal Impact - Increase Federal Expenditures - \$640,000 FY06 Recurring

Estimate assumes:

- A significant increase in provider complaints to the Department of Commerce and Insurance and the need for one position and related expenses.
- Increased fines on insurance companies levied by the Department of Commerce and Insurance. The amount cannot be determined but is estimated to be less than \$100,000.
- The bill would impair the ability of managed care organizations and behavioral health organizations to deny claims for any reason after prior approval, even for other filing errors or problems with a claim. The bill allows denial only for fraudulent claims. The amount of increased cost to TennCare (federal and state dollars combined) cannot be determined but is estimated to exceed \$1,000,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

SB 3138 - HB 3158